DRAFT, JULY 2026.

Financial Feasibility Analysis

Unincorporated Alameda County

Draft: July 2026

To inform recommendations for Inclusionary Zoning (IZ) and Ministerial Approval (MA) Ordinances, Street Level Advisors conducted a financial feasibility analysis of current market residential development in Unincorporated Alameda County. The goals of this analysis were to:

a) Understand current market conditions and the baseline economics of development for different building types
b) Estimate the costs of complying with various Inclusionary Zoning requirements and the impact of those costs on financial feasibility
c) Compare the economic impact of alternative policy options in order to inform our recommendations for an IZ ordinance
d) Assess the sensitivity of development finance in Unincorporated Alameda County to changes in market conditions

Overview of Findings

The analysis used a financial model built to approximate a typical real estate development pro forma. Four development prototypes were tested, representing the building types most likely to be built in the area: two rental prototypes (a 3-story building and a larger 5-story building) and two ownership prototypes (townhomes and small-lot single-family homes). The assumptions behind each prototype were drawn from County planning data, market research, and interviews with eight developers active in the region. Prototypes were modeled in the county's stronger-market locations, such as Castro Valley, where development is most likely to occur first. Each prototype was then run through a market-rate scenario and a series of policy scenarios reflecting possible IZ requirements, as well as an estimate of the potential value of Ministerial Approval as an incentive.

The analysis revealed that rental projects are not currently feasible in Unincorporated Alameda County, even without any IZ requirement. The gap between what these projects cost to build and what they can

earn in rent is large enough that they do not attract investment under today's conditions, and Inclusionary Zoning is not the cause of that gap. Ownership projects, by contrast, are currently feasible without an IZ requirement and remain the most realistic near-term source of new housing.

The cost of meeting an Inclusionary Zoning requirement looks very different for rental and ownership projects. Because existing market rents are already close to what is affordable to lower-income households, requiring affordable rental units adds little cost. For rental projects, the cost of compliance with an IZ policy is small relative to the much larger gap that already makes them infeasible. For ownership projects, where market sale prices are well above what is affordable, the required below-market units represent deep discounts, and the cost of compliance is considerably higher. As a result, townhome projects can absorb the modeled requirements and remain feasible, while the small-lot single-family prototype cannot.

These results carry several implications for policy design. The Metropolitan Transportation Commission (MTC) Transit-Oriented Communities (TOC) Policy recommends Inclusionary Zoning policies with 15% affordability. This is not financially feasible under current conditions, so the analysis also examines more modest affordability requirements. Because the cost of compliance differs so much between rental and ownership development, separate in-lieu fee rates are recommended for each. While MA could meaningfully offset the cost of an IZ requirement by streamlining the entitlement process, the value of that incentive is highly uncertain and will vary considerably from project to project.

Taken together, the findings describe a challenging development environment. In the near term, new housing is likely to remain concentrated in the unincorporated county's higher-rent areas and weighted toward ownership developments until broader market conditions improve. Within that reality, an Inclusionary Zoning program can be designed to advance Alameda County's affordability goals without becoming the deciding factor in whether projects move forward.

Methodology

To conduct the analysis, Street Level Advisors built a financial model in Microsoft Excel. The model is a simplified real estate development pro forma. The model contains assumptions for variables like rents, sales prices, land costs, and interest rates, and it calculates development costs, project values, and returns on investment. To use the model, a development prototype and a policy scenario are selected, and the model calculates the results. The model analyzed four development prototypes, each representing common building types, and a series of policy scenarios. Each policy scenario represented possible requirements in a proposed IZ Ordinance, such as restricting 10% of housing units within a development to rental prices affordable to households earning 60% of Area Media Income, or AMI.

Development Prototypes

The 4 development prototypes selected for the financial feasibility analysis are:

Rental Prototypes:

1. 3-story wood frame, 40 units per acre
2. 5-story podium, 80 units per acre

Ownership Prototypes:

3. 3-story townhomes, 20 units per acre
4. Small-lot single family detached, 8 units per acre

These prototypes were selected based on housing development identified in the county's Housing Element and housing development trends from the broader region. Appendix B identifies specific projects considered in constructing the prototypes, though they are not intended to reflect the specifics of any particular project. Multiple townhome and small-lot single family developments are currently being proposed and completed in Unincorporated Alameda County; ownership prototypes 3 and 4 are closely modeled after these real-life housing projects. There have not been recent higher-density rental developments in Unincorporated Alameda County, so rental prototypes 1 and 2 are modeled from comparable projects in neighboring jurisdictions such as Hayward, San Leandro, and Dublin, with adjustments for the lower rents to reflect the existing rental market.

Model Assumptions

Street Level Advisors chose the values for key assumptions in the financial model based on a combination of data from the Alameda County Planning Department, market research, and stakeholder interviews. Wherever possible, assumptions and conclusions reflect multiple sources. Appendix A documents the data sources for each assumption used in the financial model. Market research included publicly available data from online tools such as Zillow, proprietary data available from Co-Star and Property Radar, and previous market studies conducted by other firms and organizations.

Street Level Advisors interviewed eight stakeholders from the local development community. These stakeholders were selected in coordination with Alameda County staff. Stakeholders were selected based on their previous development experience with the range of building types included in our analysis. In the interview, stakeholders answered question about current market conditions, their development experience, their experience meeting Inclusionary Zoning requirements, and specific data points from their project finances. Stakeholders also estimated the potential benefits of Ministerial Approval, or other potential incentives. After the first round of financial modeling was complete, stakeholders provided feedback on key assumptions and preliminary results. Minor adjustments to some of the cost inputs were made based on their suggestions.

Neighborhood Context

The communities of Unincorporated Alameda County represent a broad range of housing market conditions. At the time of this study, neighborhoods in Castro Valley have the highest rents and sales prices in urban Unincorporated Alameda County. Street Level Advisors considered modeling the prototypes in different geographic contexts (e.g. Castro Valley near the BART station, Cherryland, and Fairview), with varying assumptions for rents and land value but chose to model the 4 building prototypes all under the assumptions of relatively strong market locations.

Because the development environment is challenging and many projects are not feasible even in the highest rent locations, the modeled scenarios focus on the upper end of the range of rents and sale prices, with the acknowledgment that development will likely be confined to areas with stronger markets until conditions improve. Stronger market conditions in the future could allow Alameda County to build a neighborhood-specific policy, though this would add considerable complexity to program administration.

Limitations of the Model

It is important to note that because of the extreme variability of specific conditions from project to project, it is impossible to choose the "correct" value for many of the assumptions in the model. These prototypes represent a best attempt to approximate a "typical" project for that particular building type, at this moment in the market cycle, in a strong market location. Any single actual project will likely differ from the prototype in many ways. The model is not intended to predict the exact return on investment for a particular housing project. It is primarily a tool for evaluating trends of feasibility, comparing the impacts of different policy choices, and estimating levels of sensitivity between assumptions (for example, how changes in rents or interest rates would affect feasibility).

Summary of Prototype Inputs:

The following tables (Tables 1 and 2) include the input assumptions for the 4 development prototypes.

Table 1: Summary of Rental Prototype Inputs

Rental Prototype Inputs	3-story Rental	5-story Rental
Stories	3	5
Total Units	40	80
Site Area (Acres)	1.0	1.0
Parking Ratio (Spaces Per Unit)	1.5	1.33
Common Area	15%	15%
Average Rent (Per Net Residential Square Foot)	$2.94	$3.24
Studio Count	-	10
1BR Count	20	40
2BR Count	20	30
Studio Size	-	500
1BR Size	700	700
2BR Size	1000	1000
Studio Rent	-	$1800
1BR Rent	$2200	$2400
2 BR Rent	$2800	$3000
Construction Costs (Per Gross Foot)	$320	$360
Site Acquisition Cost (Per Acre)	$2,000,000	$4,000,000
Site Acquisition Cost (Per Unit)	$50,000	$50,000
Parking Cost per Space	$10,000	$50,000
Residential Impact Fee (Per Unit)	$13,000	$13,000
Other Soft Costs (as % of Hard Costs)	18%	18%
Rental Vacancy Rate	7%	7%
Rental Operating Cost	30%	35%
Other Income (Per Month)	$0	$150
Construction Loan Interest Rate	8.00%	8.00%
Loan to Cost Ratio	55%	55%
Period of Initial Loan (Months)	18	24
Initial Construction Loan Fee (Points)	1%	1%
Average Outstanding Balance	60%	60%
Cap Rate	5.25%	5.25%
Profitability Measure	Yield on Cost	Yield on Cost
Yield on Cost Feasibility Minimum	6.25%	6.25%

Table 2: Summary of Ownership Prototype Inputs

Ownership Prototype Inputs	Townhomes	Small-Lot SFD
Stories	3	2
Total Units	40	10
Site Area in Acres	2	1.25
Units per Acre	20	8
Parking Ratio (spaces per unit)	2.0	2.0
Unit Size (BR)	3	4
Unit Size (square feet)	1700	2400
Construction Costs Per Gross Foot	$280	$280
Site Acquisition Costs	$4,000,000	$2,500,000
Site Acquisition Cost Per Acre	$2,000,000	$2,000,000
Site Acquisition Cost per Unit	$100,000	$250,000
Parking Cost per Space	$30,000	$30,000
Soft Costs (as % of hard costs)	18%	18%
Residential Impact Fee (per unit)	$13,000	$13,000
Construction Loan Interest Rate	8.00%	8.00%
Loan to Cost Ratio	55%	55%
Period of Initial Loan (Months)	18	18
Initial Construction Loan Fee (Points)	1.00%	1.00%
Average Outstanding Balance	60.00%	60.00%
Sale Price	$950,000	$1,400,000
Homebuyer Mortgage Rate	6.00%	6.00%
Property Taxes	1.18%	1.18%
Insurance (Hazard + PMI)	0.35%	0.35%
HOA/Other per month	$300	$0
Sales Marketing Cost	5.00%	5.00%
Profitability Measure	Return on Cost	Return on Cost
Return on Cost Feasibility Minimum	10.00%	10.00%

Summary of Policy Inputs:

Parking Requirements

The cost and amount of parking are key drivers of financial feasibility. Consistent with comparable communities in the region, the developer stakeholders interviewed stressed that both renters and buyers are likely to expect parking. It is unlikely that projects would move forward in unincorporated Alameda County with the very low parking ratios possible in denser parts of the county like Oakland or Berkeley. Based on interviews with developers and a review of comparable projects, parking ratios that the market would be most likely to support for each prototype were selected. For some sites, the current zoning would require different amounts of parking than what developers suggested was optimal. However, a number of state laws including SB 79, AB 2923, and the State Density Bonus (California Government Code §§ 65915–65918) enable certain projects to provide less parking.

Income, Rent Limits, and Sales Prices

To define affordability thresholds, income limits are calculated based on the 2025 Area Median Income (AMI) for Alameda County. For a household of four in Alameda County, the AMI was $159,800 in 2025. Following the practices of the Alameda County Department of Housing and Community Development, affordable monthly rents are calculated as 1/12th of 30% of the income limit, and we assume a household size equal to the number of bedrooms plus one.

Table 3: 2025 Alameda County Income Limits

	Household Size				
Income Level	**1**	**2**	**3**	**4**	**5**
30% AMI	$33,555	$38,355	$43,140	$47,940	$51,780
50% AMI	$55,925	$63,925	$71,900	$79,900	$86,300
60% AMI	$67,110	$76,710	$86,280	$95,880	$103,560
80% AMI	$89,480	$102,280	$115,040	$127,840	$138,080
100% AMI	$111,850	$127,850	$143,800	**$159,800**	$172,600
120% AMI	$134,220	$153,420	$172,560	$191,760	$207,120

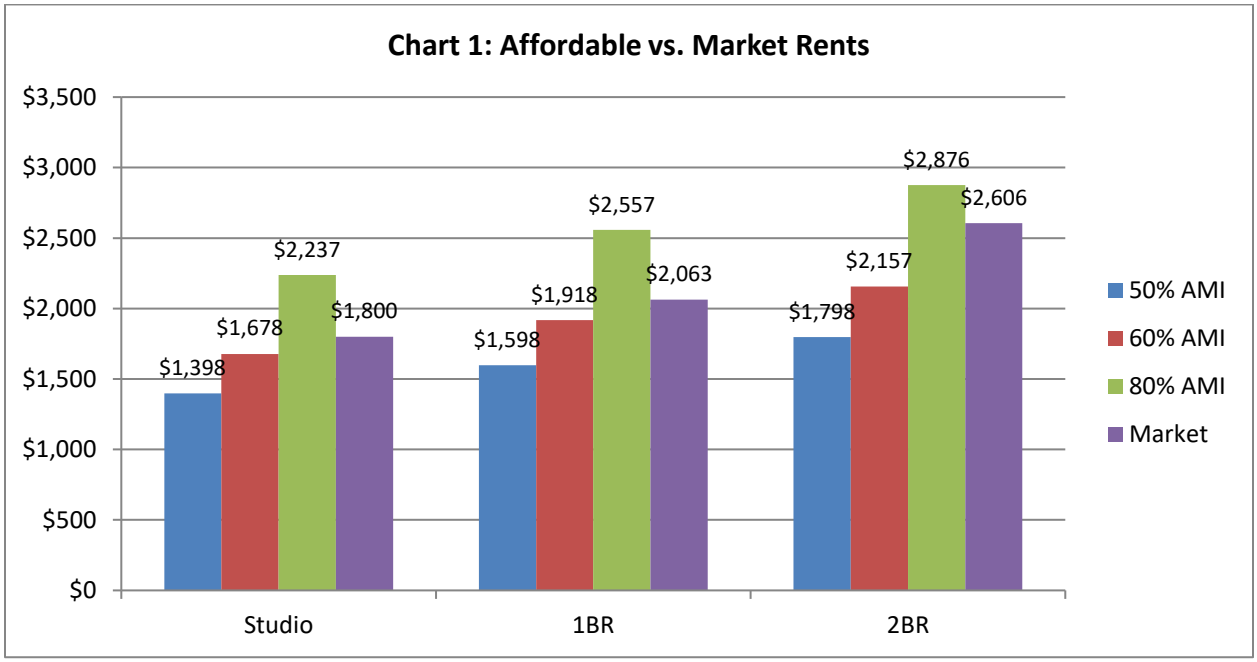
Source: 2025 State Income Limits, California Department of Housing and Community Development, https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2025.pdf

Table 4: Affordable Rents

	Studio	**1BR**	**2BR**	**3BR**
HH Size	1	2	3	4
50% AMI	$1,398	$1,598	$1,798	$1,998
60% AMI	$1,678	$1,918	$2,157	$2,397
80% AMI	$2,237	$2,557	$2,876	$3,196

Source: Alameda County Income and Rent Limits, https://www.achcd.org/wp-content/uploads/2025/06/2025-Income-and-Rent-Limits.pdf

Chart 1 below shows the Below Market Rate (BMR) rents affordable to various target income levels (shown in Table 4), as well as the fourth purple column which shows the average Castro Valley market rent, for context.[1] While current market rents differ significantly between different communities within Unincorporated Alameda County, the majority of recent development activity has occurred in the Castro Valley area as seen in Appendix B. Interview subjects suggested that multi-family rental would likely be feasible in Castro Valley before other parts of the unincorporated county. Note that the market rents in Castro Valley are below the rents affordable to someone earning 80% of AMI for all unit sizes.



For the modeling of ownership prototypes, affordable sales prices are calculated as the prices at which total monthly housing costs represent 30% of gross monthly income. Total housing costs include the following assumptions:

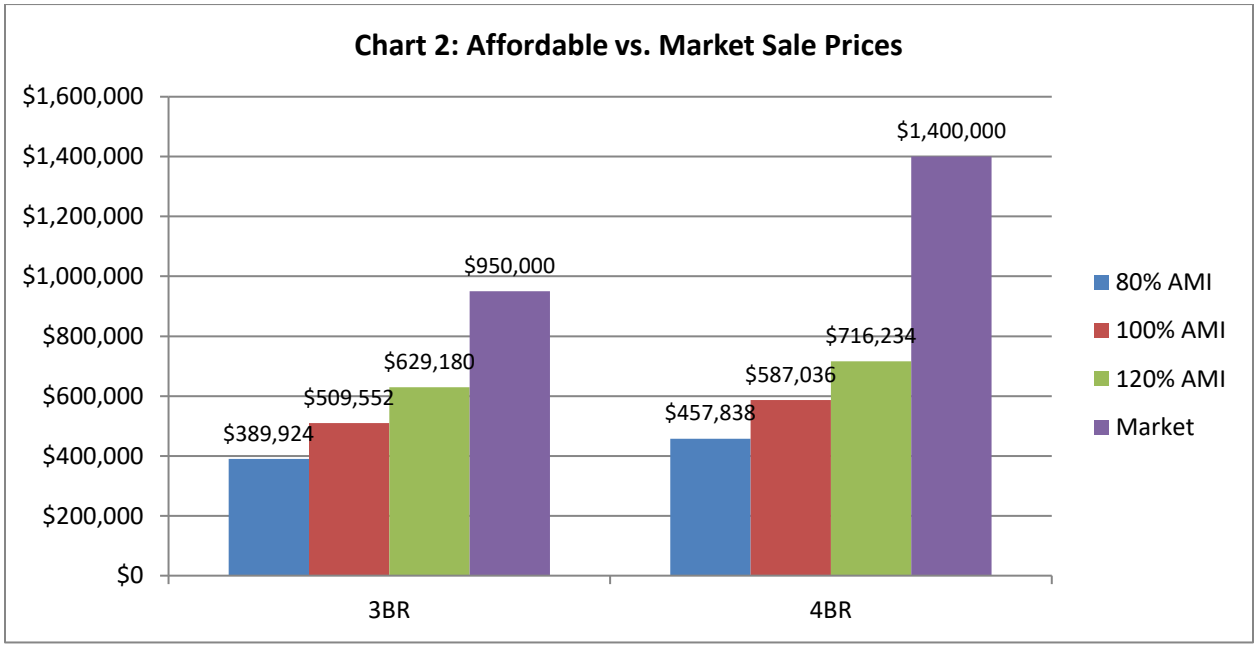
- 30-year fixed mortgage rate of 6.0%
- Downpayment of 5%
- Taxes of 1.18% of the affordable price
- Insurance of 0.35%
- HOA fees of $300/month (for townhome prototype only)

[1] Average rent for Castro Valley, Zillow Market Trends

Table 5: Affordable Sales Prices

	3BR	4BR
80% AMI	$389,924	$457,838
100% AMI	$509,552	$587,036
120% AMI	$629,180	$716,234

Chart 2 below shows the BMR sale prices affordable to various target income levels, and the purple column which shows estimates of market prices for the 2 ownership prototypes again in the stronger market locations in the county, for context.[2] Note that the market prices are much higher than any of the affordable prices, even at the 120% of AMI income level.



Policy Scenarios

The analysis modeled a market rate scenario with no Inclusionary Zoning (IZ) requirements and the following IZ scenarios:

Rental Scenarios

- 15% of units affordable at 80% of AMI
- 10% of units affordable at 60% of AMI
- 10% of units affordable at 50% of AMI

[2] Market prices derived from our research on recent developments, including published sales listings for recently completed projects and stakeholder interviews with developers of similar projects

Ownership Scenarios

- 10% of units affordable at 120% of AMI
- 10% of units affordable at 100% of AMI

MTC's TOC policy sets a minimum standard for compliant IZ policies of 15% of units affordable at 80% of AMI for rentals and 120% of AMI for ownership. The TOC policy, however, allows jurisdictions to adopt lower requirements when a feasibility study determines that a 15% affordability requirement is not financially feasible.[3] As shown below, the TOC 15% requirement would not be financially feasible under current conditions in unincorporated Alameda County. The feasibility of the lower requirement scenarios is discussed below.

In-Lieu Fee

The cost of complying with different IZ policy scenarios was calculated per net residential square foot. These results are included to inform the policy decisions about the most appropriate in-lieu fee rates. The cost of compliance for ownership projects is much higher than the cost of compliance for rental projects because market rents are so much more affordable than market sale prices (see Charts 1 and 2). Therefore, 2 different in-lieu fee rates are proposed based on tenure.

Ministerial Approval

The value of Ministerial Approval (MA) as a potential incentive for complying with the IZ requirements was also analyzed. If implemented, streamlining the entitlement process could reduce uncertainty, making housing development faster and more cost effective. However, it is very difficult to estimate the cash value of that benefit as it varies from project to project. In the stakeholder interviews, developers shared a diverse range of feedback about the anticipated value of the MA incentive, as well as the likelihood of its successful implementation. Inevitably, the incentive will provide a range of varying utility to the economics of different projects that is difficult to predict. Small projects, which are more common in unincorporated Alameda County, may benefit more because their entitlement costs are spread across fewer units, while larger projects may benefit more if their development and entitlement processes are more complex.

For modeling purposes, we assume that MA will reduce land entitlement costs. Based on feedback from multiple local developers, we estimate entitlement costs to be at most 50% of total land costs, meaning that the entitlement costs roughly equal the cost of the raw unentitled land. Because it is impossible to know exactly how effective MA will be in streamlining entitlement, a range of 10% to 50% in potential reductions in entitlement costs were tested. These assumptions roughly correspond to a policy that reduces entitlement time by 10% and a policy that reduces entitlement time by 50%.

[3] Find the administrative guidelines here:

Additional Model Assumptions

The following assumptions are also built into our feasibility model:

Fractional Fee Calculation

IZ policies can require a development project to provide a non-whole number of affordable units (e.g. 10% of 36 units is 3.6 units). Policies can require rounding up, rounding down, or paying a fee in-lieu for the fractional unit requirement. This analysis assumes that the developer will round down to the nearest whole number and pay the in-lieu fee for the residual fractional unit required. Alameda County may ultimately adopt a different standard.

Development Fee Waivers

To replicate County practices, the model includes a waiver of the Park Dedication fees, approximately $13,000 per unit, for each on-site affordable unit built.

Summary of Model Outputs

The following tables (Tables 6 and 7) include the key model output values for the 4 development prototypes under the market rate scenario with no IZ requirements. The tables show that under current market conditions with no IZ requirement, the ownership prototypes are profitable enough to be considered feasible, and the rental prototypes are not.

Table 6: Summary of Model Outputs - Rental Prototypes, Market Rate

Prototype	3 Story Rental	5 Story Rental
Total Development Cost (TDC)	$19,158,773	$45,265,269
TDC per Unit	$478,969	$565,816
TDC per Residential Square Foot	$563	$719
Rent per Residential Square Foot	$2.94	$3.24
Annual Net Operating Income	$781,200	$1,566,864
Operating Income per Unit	$19,530	$19,585
Yield on Cost	4.08%	3.46%
Yield on Cost Feasibility Minimum	6.25%	6.25%
Feasibility	Not Feasible	Not Feasible

Table 7: Summary of Model Outputs - Ownership Prototypes, Market Rate

Prototype	Townhomes	Small-Lot SFD
Total Development Cost (TDC)	$31,164,045	$11,775,768
TDC per Unit	$779,101	$1,177,577
TDC per Net Residential Square Foot	$458	$491

Financial Feasibility Analysis

Prototype	Townhomes	Small-Lot SFD
Sale Price per Net Residential Square Foot	$559	$583
Estimated Profit	$4,935,954	$1,524,231
Return on Cost (Profit/TDC)	15.84%	12.94%
Return on Cost Feasibility Minimum	10.00%	10.00%
Feasibility	Feasible	Feasible

Analysis – Inclusionary Zoning and Impacts on Feasibility:

Feasibility of Rental Prototypes

Chart 3 shows the estimated Yield on Cost for the 2 rental prototypes under four policy scenarios: the baseline market rate scenario (no IZ requirements) and three different IZ compliance scenarios. Yield on Cost is the profitability measure used for all rental prototypes in the modeling. It is defined as the Annual Net Operating Income of the project divided by the Total Development Costs to build it.

$$\text{Yield on Cost} = \frac{\text{Annual Net Operating Income}}{\text{Total Development Costs}} \div$$

Based on stakeholder interviews, it is estimated that a multifamily rental development project today needs to produce a Yield on Cost of at least 6.25% to successfully secure investment capital. This is the definition of feasibility. Chart 3 shows that neither of the rental prototypes are currently feasible, with or without IZ requirements.

The cost of compliance with IZ is the difference between the Market Rate and the IZ scenarios. Per Chart 3, there is a very small difference between the Market Rate Scenario and the IZ scenarios for each prototype. The cost of complying with any tested IZ scenario represents a very small fraction of the gap between current yields and feasible yields. The cost of compliance for rental projects is generally very low because market rents are already relatively affordable. Yields for the 15% affordability at 80% of AMI scenario are exactly the same as the market rate yields, making that option difficult to model. This is because market rents in Unincorporated Alameda County are generally already affordable to households earning 80% of AMI.[4]

[4] In practice, it is likely that restrictions would have some impact on project value even if the restricted rents were not below current market rents just to do administrative and legal complexities. We have not attempted to estimate this small impact.

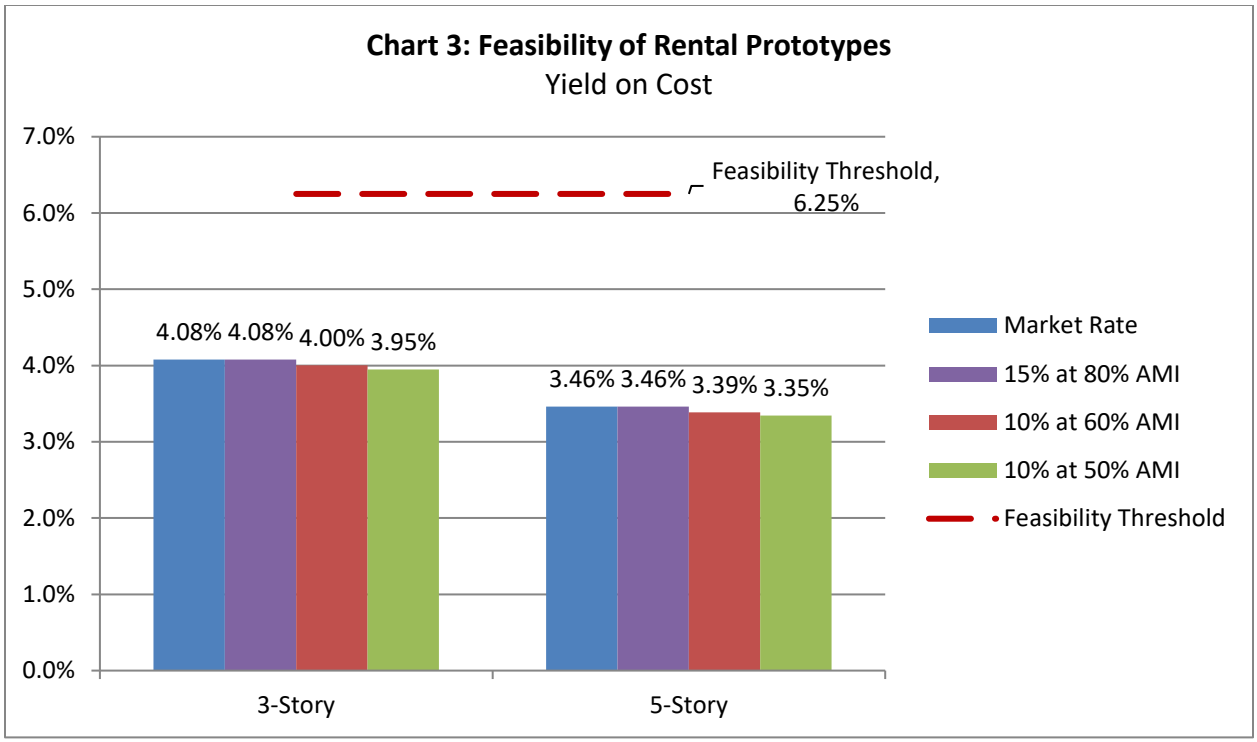


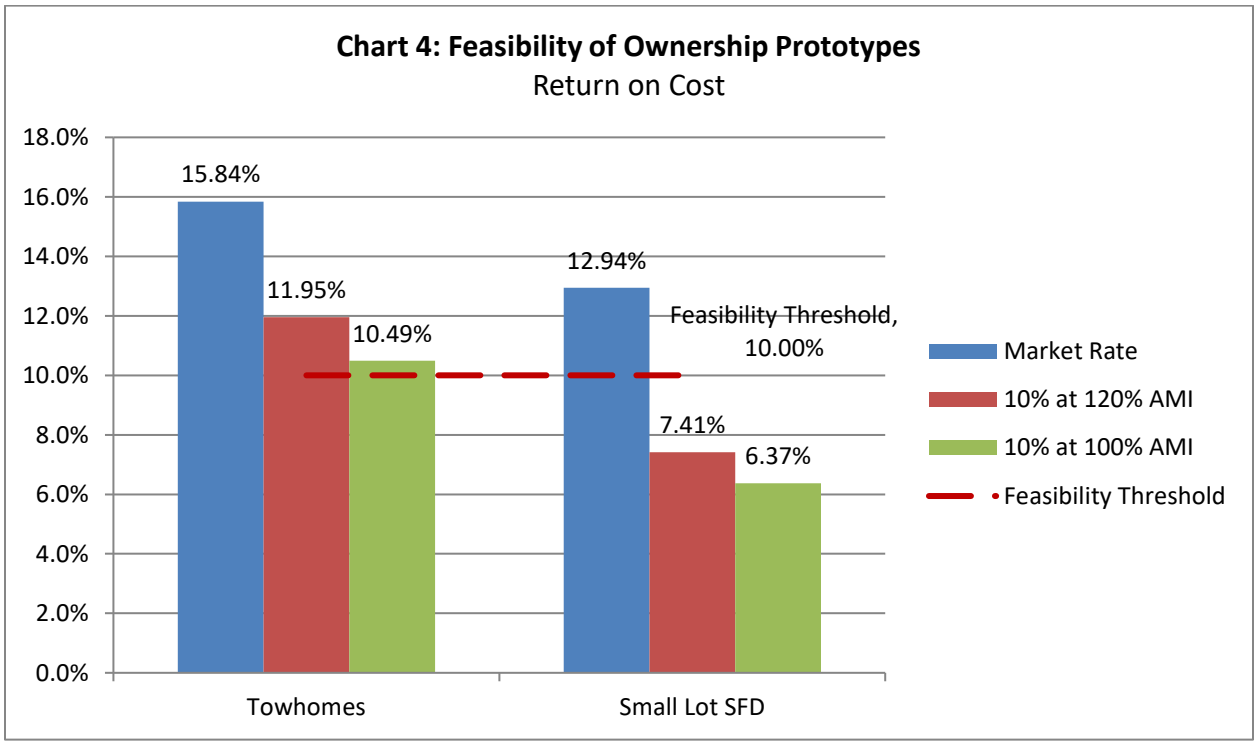
Chart 3: Feasibility of Rental Prototypes
Yield on Cost
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
Feasibility Threshold, 6.25%
4.08%
4.08%
4.00%
3.95%
3.46%
3.46%
3.39%
3.35%
3-Story
5-Story
Market Rate
15% at 80% AMI
10% at 60% AMI
10% at 50% AMI
Feasibility Threshold

Feasibility of Ownership Prototypes

Chart 4 below shows the estimated Return on Cost for the 2 ownership prototypes, for a baseline market rate scenario (no IZ requirements) and two different IZ compliance scenarios. Return on Cost is the profitability measure we use for all ownership prototypes. It is simply the Profit (from sales revenue) divided by the Total Development Costs. Based on stakeholder interviews, a townhome or condo development project today needs to produce an estimated Return on Cost of at least 10% to successfully secure investment capital. 10% defines ownership feasibility in this analysis.

Chart 4 below shows that both ownership prototypes are currently feasible without IZ requirements. It also shows that the townhome prototype remains feasible in both IZ scenarios, with returns above 10%. The small-lot SFD prototype becomes infeasible in both IZ scenarios, with returns below 10%.

The cost of compliance with IZ is the difference between the Market Rate and the IZ scenarios. Chart 4 shows that the cost of compliance with IZ is much larger for the ownership prototypes than it was for the rental prototypes. This is because the market sale prices in Unincorporated Alameda County are still relatively high, so that affordable prices represent deep discounts.



In-Lieu Fee Analysis

To inform recommendations for an In-Lieu Fee option to satisfy Inclusionary Zoning (IZ) requirements, we calculated the cost of complying through the production of onsite units. The exact fee rates selected by Alameda County should be comparable and will dictate developer choices to some extent. If the in-lieu fee is less expensive than including the affordable units, developers will likely prefer to pay the fee when possible.

The cost of complying with IZ requirements reduces the value of the project, through the lower rents and sales prices of the affordable units. For ownership projects, the project value is the net sales proceeds. To estimate value for rental projects, the Net Operating Income is capitalized using an assumed capitalization rate of 5.25%. The cost of compliance per net residential square foot is the difference in value (market rate scenario vs. IZ scenario) divided by the total net square footage.

Cost of Compliance in Ownership Projects

Chart 5 below shows the estimated cost of compliance for our ownership prototypes, in two different IZ scenarios. The first bar in each grouping represents the project value, per net residential square foot, at market rate. The following shorter red and green bars show the reduced project values, as a result of selling some units at reduced prices. For example, the market rate townhomes are worth an estimated $530.99 per foot, and restricting 10% of units to prices affordable to households earning 120% of AMI reduces that value to $513.88 per foot (a 3.35% change), while restricting 10% of units to prices affordable to households earning 100% of AMI reduces that to $506.39 per foot (a 4.61% change).

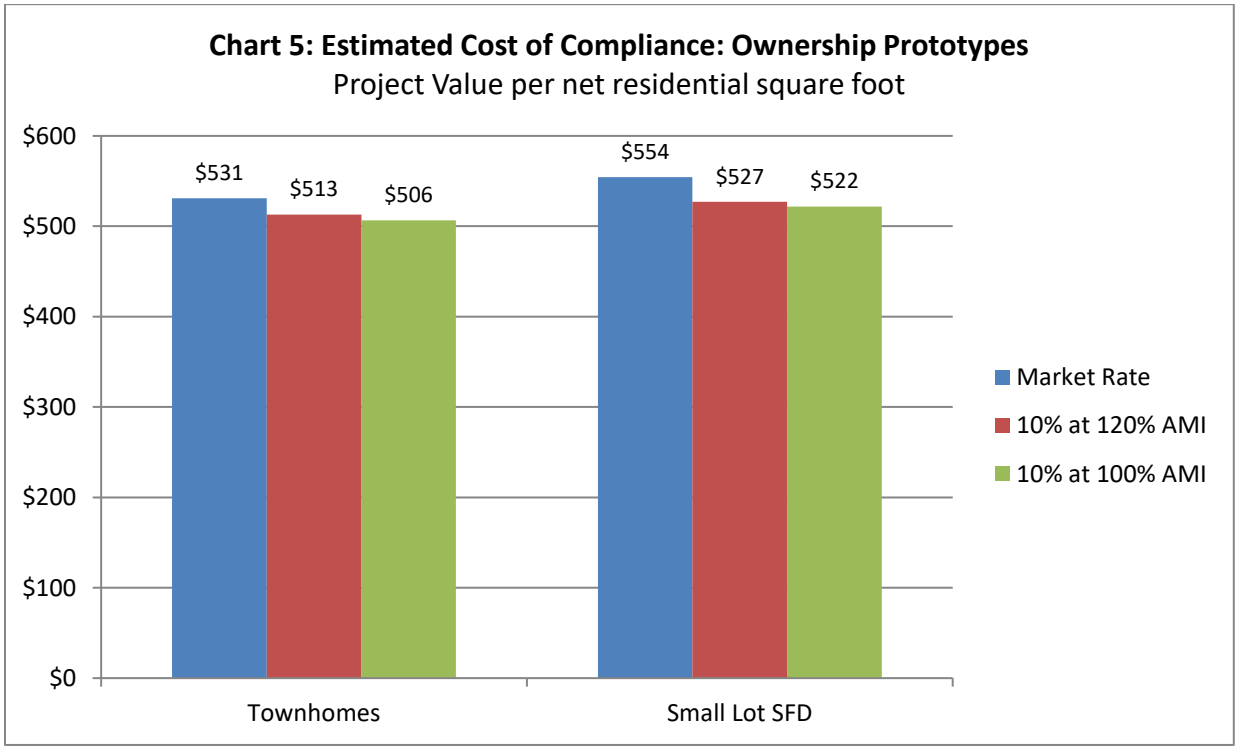


Table 8 below shows the actual cost of compliance per foot, defined as the difference between the market rate and IZ scenario values in Chart 5 above.

Table 8: Cost of Compliance per net residential square foot (Ownership Prototypes)

	10% @ 120% AMI	10% at 100% AMI
Townhomes	$17.81	$24.49
Small-Lot SFD	$27.15	$32.27

Table 9 below shows the same cost of compliance calculated per affordable unit, instead of per square foot (ie. the total cost of compliance divided by the required number of BMR units). Note that for both ownership prototypes in both scenarios, the cost per affordable unit is well above the TOC minimum of $100,000.[5]

Table 9: Cost of Compliance per affordable unit (Ownership Prototypes)

	10% @ 120% AMI	10% at 100% AMI
Townhomes	$302,704	$416,350
Small-Lot SFD	$651,652	$774,390

Cost of Compliance in Rental Projects

Chart 6 below shows the estimated cost of compliance for the rental prototypes in the three different IZ scenarios. The first bars in each grouping represent the project value, per net residential square foot, at market rate. The second bars show the exact same values for the 15% at 80% AMI IZ scenario because the rents are the same. The shorter third and fourth bars per grouping show the reduced project values as a result of renting some units at reduced rents. For example, the 3-story rental prototype is worth an estimated $437.65 per foot at market rate, and restricting 10% of units to rents affordable to households earning 60% of AMI reduces that value to $429.55 per foot (a 1.85% change), while restricting 10% of units to prices affordable to households earning 50% of AMI reduces that to $423.61 per foot (a 3.21% change).

[5] You can find MTC's TOC guidelines here. Appendix A, Production Policy 1 contains rules for Inclusionary Zoning policies including a standard that any in-lieu fee should be more than $100,000 per affordable unit that would have been required onsite. The policy allows for exceptions to this standard with justification.

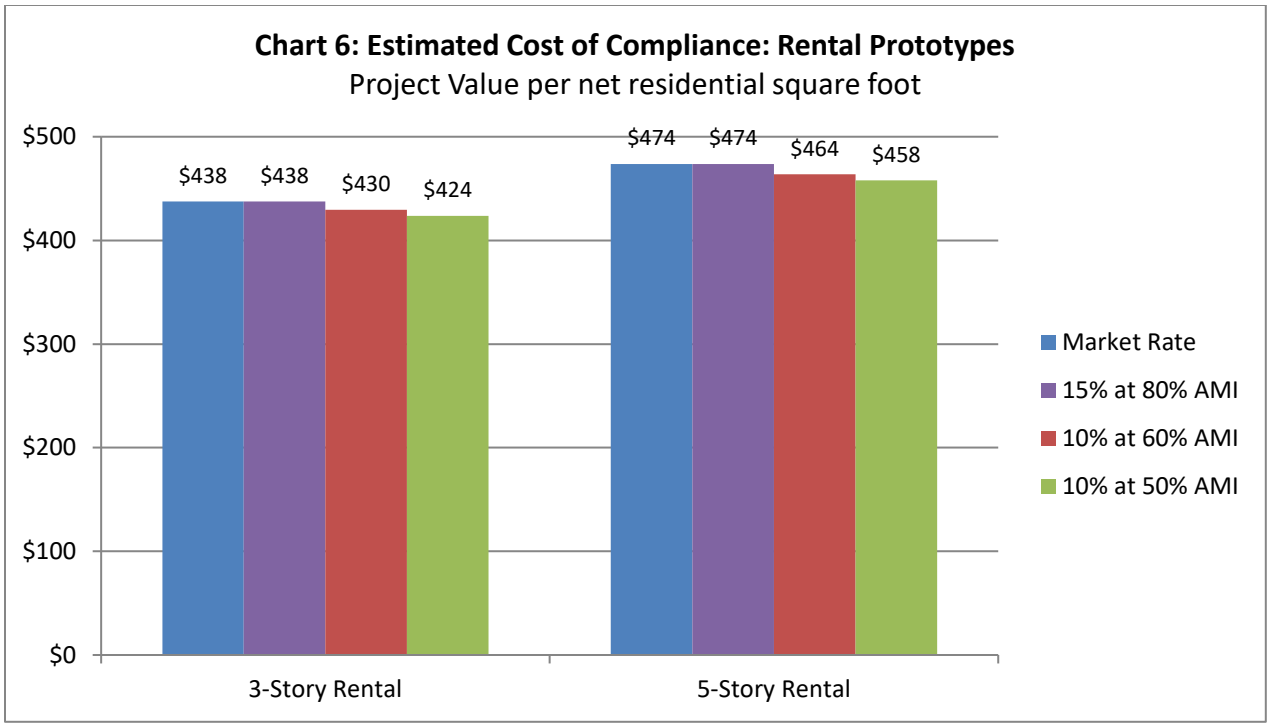


Table 10 below shows the actual cost of compliance per net square foot (the difference between the market rate and IZ scenario values in Chart 6 above).

Table 10: Cost of Compliance per net residential square foot (Rental Prototypes)

	15% @ 80% AMI	10% @ 60% AMI	10% at 50% AMI
3-Story Rental	$0	$8.10	$14.04
5-Story Rental	$0	$10.04	$15.83

Table 11 below shows the same cost of compliance but calculated per affordable unit instead of per net residential square foot. For both rental prototypes, the cost per affordable unit is above the TOC Policy minimum of $100,000 in the 10% at 50% AMI scenario, but below $100,000 in the 10% at 60% AMI scenario. This suggests that an in-lieu fee based on the cost of compliance for the 10% at 60% AMI scenario would require additional justification to meet MTC's standards for TOC Policy compliance.

Table 11: Cost of Compliance per affordable unit (Rental Prototypes)

	15% @ 80% AMI	10% @ 60% AMI	10% at 50% AMI
3-Story Rental	$0	$68,827	$119,356
5-Story Rental	$0	$79,100	$124,639

Impact of Ministerial Approval on Feasibility

As discussed above, the modeling also very roughly estimates the value of Ministerial Approval (MA) as a potential incentive for complying with the IZ requirements. This streamlining of the entitlement process could reduce uncertainty and save developers significant amounts of time and money. However, it is difficult to estimate exactly how much, and the benefits will likely vary significantly across projects. The model assumes that MA will reduce land entitlement costs by between 10% and 50%. The 50% assumption represents the upper bound of potential values for MA. It corresponds roughly to a situation where entitlement times are cut in half by the policy. Several developers interviewed shared that it would be easy for an MA policy to be implemented in a way that provided very little real financial benefit. The high-end potential for the policy is analyzed in this section so that policymakers can consider the full potential of the tool as they consider the design of the policy. Once a specific policy has been proposed, it may be possible to adjust this assumption to more closely model the actual proposed policy scenario.

Chart 7 shows the estimated Yield on Cost for the two main rental prototypes in five different policy scenarios: baseline market rate, 10% of units at 50% AMI, 10% of units at 50% AMI with the estimated (high end) benefits of Ministerial Approval, 10% of units at 60% AMI, 10% of units at 60% AMI and with the estimated (high end) benefits of Ministerial Approval. IZ.

For the 3-story prototype, the second column shows that the 10% at 60% AMI option reduces the market rate yield of 4.08% (first column) down to 4.00%, but the third column shows that adding the benefits of MA more than compensates for the cost of complying with IZ, resulting in a Yield on Cost of 4.11%.

Similarly, the fourth column shows that the 10% at 50% AMI option results in an even lower Yield on Cost of 3.95%, but the final column in the 3-story prototype shows that adding the benefits of MA almost fully compensates for the costs of complying with IZ, bringing the yield back up to 4.05%.

The 5-story prototype shows a similar pattern where the addition of MA compensates for the cost of complying with the different modeled Inclusionary Zoning options.

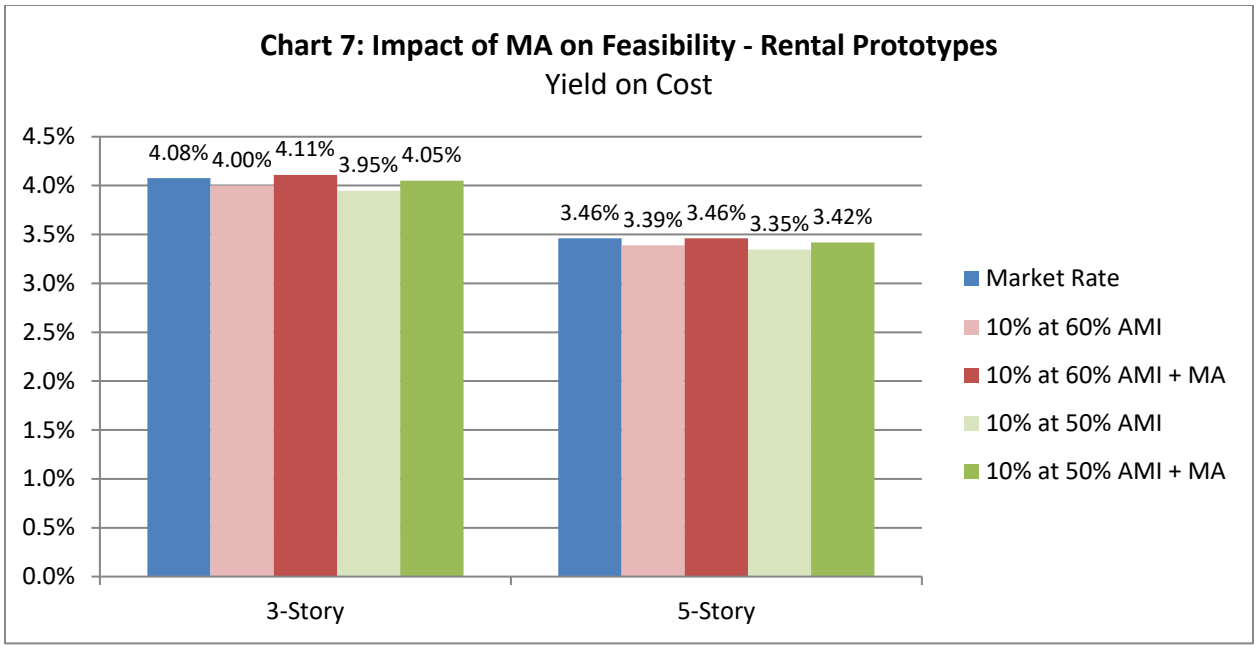


Chart 8 shows the estimated Return on Cost for the two main ownership prototypes in five different policy scenarios: baseline market rate, 10% of units at 120% AMI, 10% of units at 120% AMI with the estimated benefits of MA, 10% of units at 100% AMI, and 10% of units at 100% AMI IZ with the maximum estimated benefits of MA.

For the townhome prototype, the second column shows that the 10% at 120% AMI option reduces the market rate return of 15.84% (first column) down to 11.95%, but the third column shows that adding the benefits of MA nearly compensates for the cost of complying with IZ, resulting in a Return on Cost of 15.66%.

Similarly, the fourth column shows that the 10% at 100% AMI option results in an even lower Return on Cost of 10.49%, while the darker final column shows that adding the benefits of MA nearly compensates for the costs of complying with IZ, bringing the return back up to 12.33%.

The small-lot SFD prototype shows a similar pattern where the addition of MA potentially compensates for the cost of complying with the modeled Inclusionary Zoning options

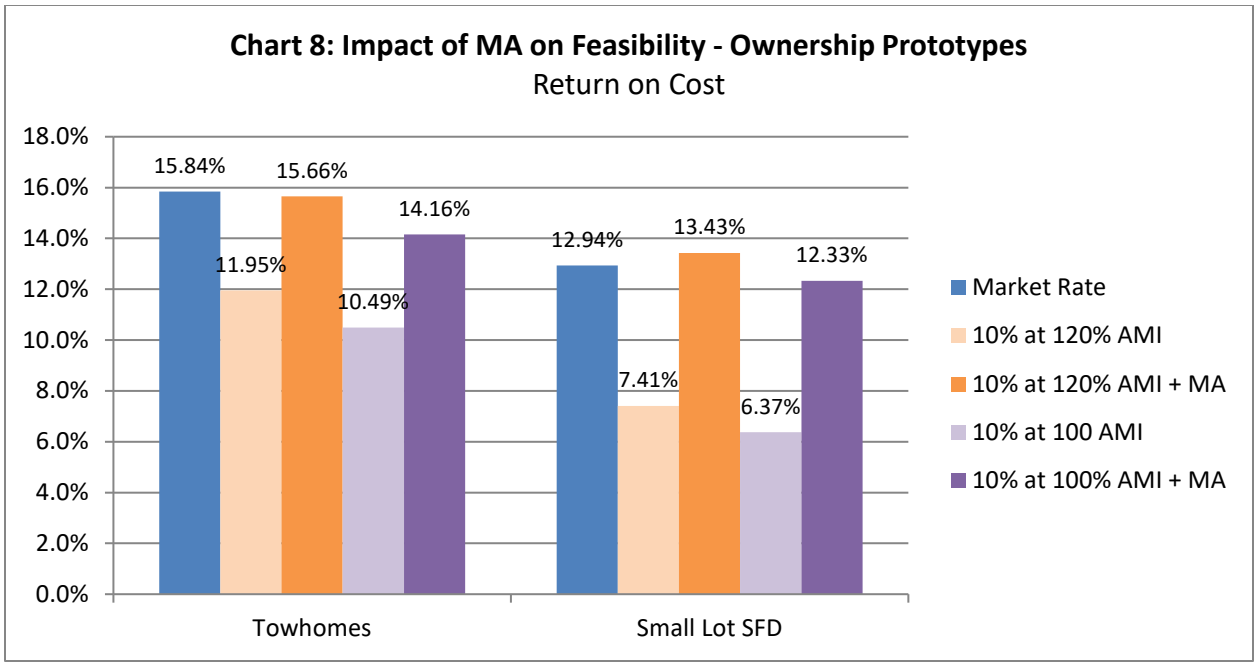


Chart 8: Impact of MA on Feasibility - Ownership Prototypes
Return on Cost
18.0%
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
15.84%
11.95%
15.66%
10.49%
14.16%
12.94%
7.41%
13.43%
6.37%
12.33%
Towhomes
Small Lot SFD
Market Rate
10% at 120% AMI
10% at 120% AMI + MA
10% at 100 AMI
10% at 100% AMI + MA

Appendix A: Data Sources for Modeling Assumptions

ASSUMPTION	DATA SOURCES
Building Type	
Number of Units	Unincorporated Alameda County planning data for recent projects Co-star property summaries for comparable projects 2020-2025 Stakeholder Interviews Peer Studies
Site Area in Acres	Unincorporated Alameda County planning data for recent projects Co-star property summaries for comparable projects 2020-2025 Stakeholder Interviews Peer Studies
Parking Ratio (spaces per unit)	Unincorporated Alameda County planning data for recent projects Co-star property summaries for comparable projects 2020-2025 Stakeholder Interviews Peer Studies
Common Area %	Stakeholder Interviews Peer Studies
Unit Mix	Co-star property summaries for comparable projects 2020-2025 Zillow Apartment Complex Websites Stakeholder Interviews
Unit Sizes	Co-star property summaries for comparable projects 2020-2025 Zillow Apartment Complex Websites Stakeholder Interviews
Revenue	
Rents	Co-star property summaries for comparable projects 2020-2025 Stakeholder Interviews Zillow Apartment Complex Websites
Sales Prices	Sales data from comparable projects - Zillow and Property Radar Stakeholder Interviews
Other Revenue (Per Unit Per Month)	Co-star property summaries for comparable projects 2020-2025 Stakeholder Interviews
Development Costs	
Construction Costs Per Gross Foot	Stakeholder Interviews Peer Studies
Site Acquisition Cost Per Acre	Stakeholder Interviews
Parking Cost per Space	Stakeholder Interviews Peer Studies
Other Soft Costs (as % of hard costs)	Stakeholder Interviews
Operating Costs	
Rental Vacancy Rate	Co-star (Hayward/Castro Valley/Union City Submarket)
Rental Operating Cost (% Gross Income)	Stakeholder Interviews Peer Studies

ASSUMPTION	DATA SOURCES
Financing	
Construction Loan Interest Rate	Stakeholder Interviews
Loan to Cost Ratio	Stakeholder Interviews
Period of Initial Loan (Months)	Stakeholder Interviews
Initial Construction Loan Fee (Points)	Stakeholder Interviews
Average Outstanding Balance	Stakeholder Interviews
Profitability	
Cap Rate	Apartment Loan Store (Hayward Class A Multifamily) = 5.2% Co-Star (Hayward/Castro Valley/Union City Submarket) = 5.0% Property Radar sales data for comparable properties 2025 = 5.29% Stakeholder Interviews
Required Profit (% of development costs)	Stakeholder Interviews
Required Yield on Cost	Stakeholder Interviews
Policy Assumptions	
Area Median Income (AMI)	2025 State Income Limits, California Department of Housing and Community Development, https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2025.pdf
Affordable Rents	Alameda County Income and Rent Limits , https://www.achcd.org/wp-content/uploads/2025/06/2025-Income-and-Rent-Limits.pdf
Affordable Sales Prices	Alameda County Income and Rent Limits , https://www.achcd.org/wp-content/uploads/2025/06/2025-Income-and-Rent-Limits.pdf
Value of Ministerial Approval	Stakeholder Interviews
Homebuyer Assumptions	
Mortgage Rate	Freddie Mac Primary Mortgage Market Survey, https://freddiemac.gcs-web.com/news-releases/news-release-details/mortgage-rates-remain-lower-and-steady
Property Taxes	Alameda County Auditor-Controller-Clerk-Recorder, https://auditor.alamedacountyca.gov/tax-rate-search/
Insurance	Insurance.com (Hayward, CA) = 0.35% Matic.com (Castro Valley, CA) = 0.364%
HOA fees	Comparable project - The Chapter, Castro Valley

Appendix B: Comparable Projects

Project	Address	Developer	Description
Unincorporated Alameda County			
Madrone Terrace	Castro Valley	RCD Housing	Rental – 79 units (36 1br, 21 2br, 22 3br); four floors of Type IIIA wood-frame over one floor of Type IA concrete
Crescent Grove (formerly Ruby St)	Castro Valley	Eden Housing	Rental – 72 units (8 studio, 27 1br, 19 2br, 18 3br); four-story wood-frame Type VA construction
The Chapter (formerly Builders Commons)	Castro Valley	City Ventures	Ownership – 71 units (47 condos, 24 ADUs); townhomes
2219 Grove Way Duplex	2219 Grove Way, Unit A & B, Castro Valley	Baywood Court	2 units (2 2br); one-story duplex
250–252 Poplar Ave Duplex	250–252 Poplar Ave, Hayward (Unincorp.)	Jin-Tang Zhang	2 units (1 3br, 1 4br); two-story duplex
3551 Teeling Way	3551 Teeling Way, Castro Valley	Van Daele Development / Bassenian Lagoni Architects	Ownership – 27 units (19 3br, 8 4br); five two-story triplexes and three two-story fourplexes
4349–4357 Seven Hills Rd Fourplex	4349–4357 Seven Hills Rd, Castro Valley	JHJ Investments	4 units (3 2br, 1 3br); two-story fourplex
21091–21097 Wilbeam Ave Fourplex	21091–21097 Wilbeam Ave, Castro Valley	Joseph Bo	4 units (4 3br); three-story fourplex
2752 Sheffield Pl Townhomes	2752 Sheffield Pl Unit A, Castro Valley	Van Daele Development / William Hezmalhalch Architects	Ownership – 5 units (2 3br, 3 4br); three-story townhomes
2702–2742 Delaney Ct Townhomes	2702–2742 Delaney Ct, Castro Valley	Van Daele Development / William Hezmalhalch Architects	Ownership – 5 units (2 3br, 3 4br); three-story townhomes
2751–2787 Cortez Ct Townhomes	2751–2787 Cortez Ct, Castro Valley	Van Daele Development / William Hezmalhalch Architects	Ownership – 5 units (2 3br, 3 4br); three-story townhomes
16330 Ridgehaven Dr	16330 Ridgehaven Dr, Castro Valley	Meritage Homes California	Ownership – 53 units (13 3br, 40 4br); three 3-story triplexes, eight 3-story fourplexes, two 3-story 6-unit buildings
Lorena One Villas	3621 Lorena Ave, Castro Valley	Joseph Bo	13 units; one triplex and two 5-unit buildings, all two-story townhomes
451 W Sunset Blvd Apartments	451 W Sunset Blvd, Hayward (Unincorp.)	Allanray Hayward Investors / James P Silva Construction	Rental – 5 units (2 1br, 3 2br); two-story 5-unit building
21164 Garden Ave Duplexes	21164 Garden Ave, Hayward (Unincorp.)	TECTA Associates	4 units; 2 duplexes, each with primary 1st-story unit and 2nd-story ADU
16490 E 14th St Condos	16490 E 14th St, San Leandro (Unincorp.)	Tom Zhang / Steven Lee	Ownership – 15 condo units (9 2br, 4 3br, 2 4br) on 2nd and 3rd story of a mixed-use building
2512 D St Subdivision	2512 D St, Hayward (Unincorp.)	94541 D LLC	Ownership – 21-lot subdivision: 14 SFH (1–2 story), 2 three-story duplexes, 1 three-story triplex
3030 Mohr Ave (Builder's Remedy)	3030 Mohr Ave, Pleasanton area	Steelwave	Ownership – 365 units; 269 single-family detached and 96 single-family attached

Project	Address	Developer	Description
Arroyo Lago	3030 Mohr Ave area (likely to be annexed by Pleasanton)	Steelwave	Ownership – 243 units; 194 SFH and 49 ADUs
Nearby Communities			
Maximus Alvarado	915 Antonio St., San Leandro	Maximus Antonio Alvarado, LLC	Rental – 687 units; studios, 1br, 2br, 3br apartment homes (market rate)
Centro Callan	1188 E. 14th Street, San Leandro	14th & Callan JV LLC	Rental – 196 units (60 studio, 94 1br, 35 2br, 7 3br); 5 stories (market rate, built 2025)
Poppy Lane	2824 Halcyon Dr., San Leandro	DR Horton Bay Inc.	Ownership – 18 units; all 4br single-family homes
Lewelling Condominiums	874 Lewelling Blvd., San Leandro	GKW Architects	Ownership – 6 units (4 3br, 2 4br); 3br and 4br townhomes
Marina Blvd. Condominiums	342 Marina Blvd., San Leandro	Chee Fong Chan	Ownership – 6 units (4 3br, 1 5br, 1 6br); 3br, 5br, and 6br condominiums
Washington Avenue Apartments	15101 West Washington Ave., San Leandro	Abode Communities	Rental (supportive) – 72 units (3 studio, 32 1br, 18 2br, 18 3br, 1 2br); built 2022
The Mix at Sohay	29213 Mission Blvd, Hayward	-	Rental – 72 units (market rate, built 2021)
Mosaic on Mission	29501 Mission Blvd, Hayward	-	Rental – market rate (built 2023)
Legacy and Hayward Apartments	28168 Mission Blvd, Hayward	-	Rental – market rate (built 2022)
Lincoln Landing	22335 Foothill Blvd, Hayward	-	Rental – 474 units; 5 stories (market rate, built 2023)

Appendix C: Stakeholders Interviewed

Related California. Market-rate/mixed-income multifamily; townhomes and apartments.

Main Street Properties. Commercial/retail developer; partners on the retail in mixed-use projects.

RCD (Resources for Community Development). Nonprofit affordable housing developer.

City Ventures. For-sale townhomes/condos;

MRB Enterprises. Family commercial holding company exploring residential redevelopment of its property.

Land Advisors / 330 Land. For-sale residential, including affordable in master-planned communities.

Independent developer. Small-scale single-family homes and ADUs

Van Daele Development. For-sale single-family and condos in Castro Valley.

Appendix D: Peer Studies

Antioch

City of Antioch. *Staff Report: Housing Element Implementation Program 2.1.10 — Possible Adoption of an Inclusionary Housing Ordinance*. Antioch Planning Commission, February 4, 2026. Prepared with PlaceWorks (Greg Goodfellow).

Berkeley

Strategic Economics & Street Level Advisors. *Berkeley In-Lieu Fee and Housing Policies Economic Feasibility Analysis* (assessments of the in-lieu fee and HARD HATS, Bird Safe Building, and Prevailing Wage requirements). Prepared for the City of Berkeley, 2024.

Emeryville

Keyser Marston Associates, Inc. *Residential Nexus Study*. Prepared for the City of Emeryville, June 2014.

City of Emeryville. *Resolution No. 14-103: Establishing Affordable Housing Impact Fees*. July 15, 2014.

Fremont

Keyser Marston Associates, Inc. *Financial Feasibility Analysis in Support of Updates to the City's Affordable Housing Ordinance*. Prepared for the City of Fremont, October 2020.

Hayward

Strategic Economics. *Hayward Affordable Housing Ordinance Study* (Public Draft Report). Prepared for the City of Hayward, February 1, 2023.

Oakland

Economic & Planning Systems, Inc. (EPS). *Downtown Oakland Specific Plan: Incentive Program Feasibility Study* (Final Report, EPS #191033). Prepared for the City of Oakland, July 10, 2020.

Hausrath Economics Group. *Oakland Impact Fee Five-Year Review and Update — Phase 2: Development Feasibility Analysis and Housing Strategy Study*. Prepared for the City of Oakland, July 10, 2024.

City of Oakland. *Impact Fees Phase 2: Development Feasibility Analysis and Housing Strategy Study* — Community & Economic Development Committee Agenda Report. June 24 / July 23, 2024.

City of Oakland, Planning and Building Department. *Oakland Impact Fee Five-Year Review and Update Phase 2* — Supplemental Presentation to the CED Committee. October 22, 2024.

San Leandro

Kosmont Companies. *City of San Leandro Development Feasibility Review*. February 2026.

Santa Clara

Residential Feasibility Study and Inclusionary Analysis (Public Draft Report). Prepared for the City of Santa Clara, November 18, 2025. (Consultant not named on the cover; document metadata indicates Strategic Economics.)

Union City

Keyser Marston Associates, Inc. *Non-Residential Nexus Analysis* (Attachment B). Prepared for the City of Union City, September 2016.